

**ANNUAL REPORT
OF THE
REGULATORY FLEXIBILITY COMMITTEE**



**Indiana Legislative Services Agency
200 W. Washington Street, Suite 301
Indianapolis, Indiana 46204**

November, 2005

INDIANA LEGISLATIVE COUNCIL

2005

Senator Robert Garton

Chairman

Columbus

Speaker Brian Bosma

Vice-Chairman

Indianapolis

Senator Richard Young

Milltown

Representative B. Patrick Bauer

South Bend

Senator James Merritt, Jr.

Indianapolis

Representative William Friend

Macy

Senator Patricia Miller

Indianapolis

Representative Kathy Richardson

Noblesville

Senator Thomas Wyss

Fort Wayne

Representative Timothy Brown

Crawfordsville

Senator David Long

Fort Wayne

Representative P. Eric Turner

Marion

Senator James Lewis

Charlestown

Representative Dale Grubb

Covington

Senator Earline Rogers

Gary

Representative Russell Stilwell

Boonville

Philip J. Sachtleben
Executive Director
Legislative Services Agency

REGULATORY FLEXIBILITY COMMITTEE

Membership Roster

Representatives

Jack Lutz, Co-Chairperson
Anderson

David Frizzell
Indianapolis

Robert Behning
Indianapolis

James Buck
Kokomo

Timothy Neese
Elkhart

William Ruppel
North Manchester

Matt Whetstone
Brownsburg

James Bottorff
Jeffersonville

David Crooks
Washington

Ryan Dvorak
South Bend

Win Moses
Fort Wayne

Dan Stevenson
Highland

Senators

Thomas Wyss, Co-Chairperson
Fort Wayne

James Merritt
Indianapolis

Beverly Gard
Greenfield

Gary Dillon
Pierceton

Victor Heinold
Kouts

Brandt Hershman
Monticello

Vaneta Becker
Evansville

Allie Craycraft
Selma

Larry Lutz
Evansville

Earline Rogers
Gary

Connie Sipes
New Albany

Staff

Sarah Burkman
Attorney for the Committee

Valerie Ruda
Fiscal Analyst for the Committee

Adam Brown
Fiscal Analyst for the Committee

I. STATUTORY DIRECTIVE

Under IC 8-1-2.6-4, the Regulatory Flexibility Committee is required to monitor competition in the *telecommunications industry*. The Committee is required to consider the following issues:

- (1) The effects of competition on available subsidies used to maintain universal service.
- (2) The status of modernization of the public telephone network in Indiana and the incentives required to further enhance this infrastructure.
- (3) The effects of modernization on economic development and educational opportunities.
- (4) The current method of regulating telephone companies and the method's effectiveness.
- (5) The economic and social effectiveness of current telephone service pricing.

Under IC 8-1-2.5-9, the Committee is also required to monitor changes and competition in the *energy utility industry*, including the following issues:

- (1) The effects of competition or changes in the energy utility industry and the impact of the competition or changes on the residential rates.
- (2) The status of modernization of the energy utility facilities in Indiana and the incentives required to further enhance this infrastructure.
- (3) The effects of modernization on economic development.
- (4) The traditional method of regulating energy utilities and the method's effectiveness.
- (5) The economic and social effectiveness of traditional energy utility service pricing.
- (6) The effects of legislation enacted by the United States Congress.

II. INTRODUCTION

The Committee met three times during the 2005 interim session on September 8, 2005, October 3, 2005, and October 18, 2005.

At the meeting on September 8, 2005, William McCarty, outgoing Chairman of the Indiana Utility Regulatory Commission (IURC), presented the IURC's annual reports on the electric, natural gas, and telecommunications industries. The State Utility Forecasting Group also presented an update on renewable energy resources in Indiana. David Lott Hardy, incoming Chairman of the IURC, was introduced to the Committee and discussed the transition in leadership at the IURC.

On October 3, 2005, the Committee heard testimony on telecommunications reform. Dr. John Rutledge, Chairman of Rutledge Capital, reported on the competitive position of the United

States in the global telecommunications market. Bret Swanson, Executive Editor of the *Gilder Technology Report*, discussed telecommunications reform in the context of constantly emerging technologies. Raymond Gifford, President of the Progress and Freedom Foundation and former Chairman of the Colorado Public Utilities Commission, analyzed state legislative and regulatory initiatives to reform the telecommunications industry. Finally, the Committee received a presentation from Fairnet, a wireless broadband company operated by the Carroll County REMC.

At the meeting on October 18, 2005, the Committee discussed whether to recommend legislation to reform Indiana's telecommunications laws. After considering the state's goals for broadband Internet deployment and the various technologies emerging in the telecommunications market, members of the Committee agreed that sound public policy involves encouraging investment in Indiana's telecommunications infrastructure. Without recommending specific legislation, the Committee agreed to encourage debate on the issue of telecommunications reform during the 2006 session of the General Assembly.

The Committee is not required to file a final report.

Meeting minutes for the Committee can be accessed from the General Assembly Homepage at <http://www.in.gov/legislative/>.